

Green Mountain Care Board
144 State Street
Montpelier, VT 05602

[phone] 802-828-2177
www.gmcbboard.vermont.gov

Kevin Mullin, Chair
Jessica Holmes, PhD
Robin Lunge, JD, MHCDS
Maureen Usifer
Tom Pelham
Susan Barrett, JD, Executive Director

October 1, 2021

DELIVERED ELECTRONICALLY

Joseph Perras, MD
Chief Executive Officer and Chief Medical Officer
Mt. Ascutney Hospital & Health Center
County Road
Windsor, VT 05089

Dear Dr. Perras:

Enclosed please find a Budget Order reflecting the Green Mountain Care Board's decision establishing your hospital's budget for fiscal year 2022. The Board and its staff analyzed your proposed budget, reviewed supplemental information, and took into account numerous additional considerations in rendering its decision during this process. That decision is described in the enclosed Order.

The hospital budget review process is a key tool in our efforts to constrain health care cost growth while improving the health of Vermonters. As part of this process, the Board considers hospital financial health, sustainability, and the importance of transitioning to a value-based system. We look forward to working with you and your staff to refine and improve the process for the next cycle and beyond. We appreciate the responsiveness and diligence that you and your staff have shown during the FY22 budget cycle, particularly in light of the ongoing COVID-19 pandemic.

As part of the Budget Order, your hospital shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on your FY22 year-to-date operating performance and related matters. Also, as part of developing guidance for the FY23 hospital budget review process, your hospital and Board staff will work together to potentially identify and include measures in non-financial reporting to further several goals of the Vermont healthcare system, including developing strategies to reduce wait times and access to care issues, reducing potentially avoidable utilization, and continuing to participate in the Board's strategic sustainability planning process. Details of these requirements are scheduled to be discussed with stakeholders and will be communicated later.

If you have any questions regarding the Order or the implementation of its reporting requirements, please feel free to contact me or the Board's hospital budget staff. Again, thank you for your hard work and cooperation during this process.

Sincerely,



s/ Kevin Mullin

Chair, Green Mountain Care Board

cc: David Sanville, CFO
Mike DelTrecco, VAHHS
Kaili Kuiper, HCA



STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

FY2022 HOSPITAL BUDGET DECISION AND ORDER

In re: Mt. Ascutney Hospital and Health Center)
 Fiscal Year 2022)
_____) Docket No. 21-007-H

INTRODUCTION

In July, the Green Mountain Care Board (GMCB or “the Board”) began reviewing the Fiscal Year 2022 (FY22) budgets of Vermont’s 14 general (community) hospitals for compliance with policy guidelines and financial targets adopted by the Board in March. The financial benchmarks include net patient revenue and fixed prospective payment (NPR/FPP) growth of not more than 3.5% over the approved FY21 budgets. *See* GMCB, FY 2022 Hospital Budget Guidance and Reporting Requirements, 5 (Mar. 31, 2021) (FY22 Guidance).¹ The Board permitted an allowance for NPR/FPP that exceeds the growth guidance for revenues (and expenses) related to COVID-19 vaccine clinics and testing. *See id.* The hospitals’ FY22 budget submissions reflect a systemwide average NPR/FPP growth request of 6.4%² over the approved, systemwide FY21 NPR/FPP. Preliminary Review of FY2022 Hospital Budget Submissions and Public Budget Hearing Exemptions, 16 (July 28, 2021) (FY22 Preliminary Review). Individual hospital NPR growth ranged from 3.0% to 13.4%. *Id.* Hospital budget submissions also reflected an overall estimated weighted average charge increase of 6.0%, with individual charge increases ranging from 2.2% to 8.3%. FY22 Preliminary Review, 12. Following public Board meetings, presentations by hospitals and GMCB staff, and a special public comment period that closed on September 1, 2021, the Board approved hospital budgets that are expected to result in a reduced systemwide NPR/FPP increase of 6.1% (6.0% after factoring in provider transfers and accounting adjustments) and an estimated weighted average charge increase of 5.2%. GMCB, Fiscal Year 2022 Approved Vermont Hospital Budget Submissions, 16, 18 (September 28, 2021) (Approved Budgets). The Board felt a 6.1% NPR/FPP increase was warranted in light of the many challenges facing Vermont’s hospitals, including the ongoing effects of the COVID-19 pandemic, growing evidence of pent-up demand and higher acuity patients, and the increased costs associated with inflationary pressures and significant staffing challenges.

Mt. Ascutney Hospital and Health Center (MAHHC) requested a 6.1% increase in NPR/FPP, or 5.6% increase in NPR/FPP excluding revenue from COVID-19 clinics and testing, and a 2.2% overall average increase in charges. On September 1, 2021, following MAHHC’s

¹ The hospitals’ FY22 budget materials, including their budget narratives and responses to questions, are available on the GMCB website at: <https://gmcboard.vermont.gov/hospitalbudget/fy2022budget>. Transcripts of the hospital budget hearings and deliberations are available upon request.

² In accordance with the FY22 Guidance, hospitals may request “adjustments” to their approved FY21 NPR/FPP or FY22 request, which, if approved, are not factored into their total NPR/FPP increase. These adjustments most frequently reflect provider transfers but may also appear in other accounting adjustments. *See* FY22 Guidance, 6. After adjusting FY22 NPR/FPP budgets to remove COVID-19 vaccine clinics and testing revenue, the systemwide average NPR/FPP growth request for FY22 from approved FY21 approved budgets was 6.0%. *See* FY22 Preliminary Review, 16.

budget hearing, GMCB staff presentations, and deliberations, the Board approved MAHHC's FY22 budget as submitted.

LEGAL FRAMEWORK

Hospital budget review is one of the Board's core regulatory responsibilities. 18 V.S.A. §§ 9375(b)(7), 9456. The Board must establish each hospital's budget annually no later than September 15 and is required to issue written decisions reflecting each hospital's established budget by October 1. 18 V.S.A. § 9456(d)(1). In making its decisions, the Board is guided by its statutory charge "to promote the general good of the state by: (1) improving the health of the population; (2) reducing the per capita rate of growth in expenditures for health services in Vermont across all payers while ensuring that access to care and quality of care are not compromised; (3) enhancing the patient and health care professional experience of care; (4) recruiting and retaining high quality health care professionals; and (5) achieving administrative simplification in health care financing and delivery." 18 V.S.A. § 9372. Additionally, the Board must execute its duty of annually establishing each hospital's budget in a way that advances the principles of healthcare reform set forth in 18 V.S.A. § 9371. *See* 18 V.S.A. § 9375(a). The Board may adjust proposed budgets that fail to comply with the Board's established benchmarks and other guidance. GMCB Rule 3.000, § 3.305. The Board may also adjust a hospital's established budget based on the Board's independent review of a hospital's budget performance. 18 V.S.A. § 9456(f); GMCB Rule 3.000, § 3.401.

Hospitals bear the burden of persuasion in justifying their proposed budgets. GMCB Rule 3.000, § 3.306(a). During its review, the Board must consider numerous factors, including hospitals' utilization information and assumptions, community and state health care needs, the cost shift, hospitals' payer mix and performance under past budgets, public comments, and any other information the Board deems relevant. *See* 18 V.S.A. § 9456(b); GMCB Rule 3.000, § 3.306(b). Each approved budget must, among other requirements, be consistent with state and community health care needs, reflect the hospital's performance for prior years, take into consideration national, regional, or in-state peer group norms, according to indicators, ratios, and statistics established by the Board, and promote the hospital's efficient and economic operations. *See* 18 V.S.A. § 9456(c).

The Board annually adopts guidance by March 31 that establishes benchmarks for hospitals to use in developing and preparing their upcoming fiscal year's budgets. GMCB Rule 3.000, § 3.202. The Board issued guidance for FY22 budgets on March 31, 2021, after public meetings with Vermont hospitals, the Vermont Association of Hospitals and Health Systems, and other interested parties. *See* FY22 Guidance, 3, 4.³ For FY22, the Board set an NPR/FPP growth guidance of not more than 3.5% over the approved FY21 budgets. FY22 Guidance, 5.

To "prioritize and maximize direct patient care, safeguard the stability of health care providers, and allow for orderly regulatory processes that are responsive to the evolving needs

³ The Board's FY22 Guidance is available at <https://gmcboard.vermont.gov/sites/gmcb/files/documents/FY22%20Hospital%20Budget%20Guidance-%20Final%203%2030%202021.pdf>.

related to the COVID-19 pandemic,” the Board was given authority to waive or permit variances from State laws, guidance, and standards with respect to several of its regulatory responsibilities, including hospital budget review. This Board authority expires six months following the termination of the state of emergency related to COVID-19. 2020, No. 91, § 5. The state of emergency related to COVID-19 ended on June 15, 2021. *See* State of Vermont, Executive Order No. 06-21 (June 15, 2021).

Pursuant to its authority under Act 91, the GMCB exempted any hospital that met specific criteria from a public hearing regarding its FY22 budget. *See* FY22 Guidance, 6-7. The criteria that a hospital was required to meet included an FY22 NPR/FPP rate increase at or under 3.5% from its FY21 approved budget (excluding NPR/FPP from COVID-19 testing and vaccine clinics), a change in charge request at or under 3.5% from its FY21 budget, continued involvement in value-based care reform, and a budget submission that complied with FY22 Budget Guidance, had schedules that reconciled, and was deemed reasonable. *See id.*

FY22 REVIEW PROCESS

Hospitals submitted their FY22 budgets to the GMCB on or about July 1, 2021, and hospitals that were not exempt from public hearings presented their budgets at public GMCB meetings between August 17, 2021 and August 27, 2021. The Board and its staff reviewed and analyzed FY22 budget information submitted and presented by the hospitals, including detailed financial information, utilization data, inflation costs, population health goals, value-based care participation, patient access data and wait times, budget-to-budget NPR/FPP growth rates, trended NPR/FPP growth rates forward from FY19 as a pre-pandemic base year, prior budget performance, and requested changes in charges. In addition, the Board considered comments from the Office of the Health Care Advocate (HCA) and from members of the public. The Board also considered each hospital’s unique circumstances, including its health care reform efforts, capital and infrastructure needs, hospital-specific risks and opportunities, and applicable cost-reduction initiatives.

The hospitals requested a systemwide NPR/FPP increase of 6.4% over the systemwide FY21 budgeted NPR/FPP. GMCB PowerPoint, FY 2022 Vermont Hospital Budgets, Board Deliberations, 11 (Sept. 1, 2021) (Deliberations I). After adjusting budgets to remove NPR/FPP related to COVID-19 vaccines and testing, the systemwide requested NPR/FPP increase was 6.0%. *Id.* After considering presentations from and discussions with hospital leadership, analysis prepared by GMCB staff, and input from the HCA and the public, the Board established hospital budgets that allow for a systemwide NPR/FPP growth rate for FY22 of 6.1% over the approved systemwide FY21 NPR/FPP. Approved Budgets, 16.

In addition, the Board reviewed each hospital’s proposed change in charge, which is the average amount by which a hospital increases its charges.⁴ Notably, the respective payers — Medicare, Medicaid, and commercial — do not reimburse each hospital the same amount for the same services. For example, commercial payers can negotiate reimbursements with each hospital separately, resulting in pricing variations, while Medicaid and Medicare prices are not typically negotiable, and reimbursement is instead established through each payer’s unique fee schedule

⁴ Changes to the actual charges vary by hospital and across service lines.

and update factors. Medicaid reimbursements have not increased, and generally hospitals have not expected any increase in Medicaid reimbursement in FY22 budgets, despite increased costs associated with inflation. The larger rate increases that hospitals requested for FY22 are driven by that cost shift, as hospitals need higher commercial charges to cover inflation not reimbursed by public payers. Taking into consideration all adjustments, we reduce the estimated system weighted overall average change in charges from the requested 6.0% to 5.2%. Approved Budgets, 18.

Vermont community hospitals continue to transition to a value-based health care system focused on prevention, wellness, and health. Hospitals' expected fixed prospective payments as a percentage of NPR/FPP for FY22 range from 0% to 24%. Preliminary Review, 21. Out of close to \$3 billion NPR/FPP for all Vermont community hospitals in FY22, \$409 million, or 14%, is expected to be in the form of fixed prospective payments for FY22. *Id.* For FY21, hospitals also project 14% of NPR/FPP to be in the form of fixed prospective payments.

The Board considered each hospital's submitted budget in the context of certain financial metrics that measure the hospital's performance against state, regional, and national peer groups. Financial metrics include operating margins, total margins, days cash on hand, days receivable, days payable, long-term debt to capitalization ratios, debt service coverage ratios, and average age of plant. See Deliberations I, 22-29. The financial metrics are compiled from data from Fitch Rating Solutions, Inc. and Flex Monitoring.⁵

MAHHC filed its FY22 budget submission on June 28, 2021 and a revised narrative on July 6, 2021. It requested a 6.1% increase in its NPR/FPP and a 2.2% average overall increase in charges. MAHHC FY22 Budget Submission, Narrative, 2-3 (MAHHC Submission); GMCB Deliberations I, 59. MAHHC's requested 6.1% NPR/FPP increase (which is a 5.6% increase after excluding COVID-19 vaccine clinics and testing) exceeded the 3.5% NPR/FPP growth guidance established by the Board, even after adjustments for COVID-19 vaccine clinic and testing revenue. MAHHC's FY21 budget-to-projection variance is 7.6% (i.e., it's FY21 projected NPR/FPP is 7.6% greater than its FY21 budgeted NPR/FPP), however, and as a result the hospital's FY22 budgeted NPR/FPP is 1.4% less than its projected FY21 results. Deliberations I, 59. The hospital's senior leadership presented the FY22 budget to the Board at a public hearing held August 23, 2021. *See* MAHHC FY22 Budget Presentation (Aug. 23, 2021) (MAHHC Presentation), 1. On September 1, 2021, the Board approved MAHHC's budget as submitted, with a 6.1% increase in NPR/FPP for FY22 and a 2.2% increase in average overall charges.

Based on the above, the Board issues the following Findings, Conclusions, and Order:

FINDINGS

COVID-19 Pandemic

⁵ The Flex Monitoring Team is a consortium of researchers from the Universities of Minnesota, North Carolina-Chapel Hill, and Southern Maine, funded by the Federal Office of Rural Health Policy to evaluate the impact of the Medicare Rural Hospital Flexibility Grant Program (the Flex Program).

1. COVID-19 (SARS-CoV-2) and its variants have significantly impacted hospital operations and budgets in Vermont, from the first reported case in March 2020, through the current hospital budget review process. Vermont's Governor declared a state of emergency on March 13, 2020, which lasted through June 15, 2021, to address the ongoing threat from COVID-19. See State of Vermont, Executive Order 01-20 (March 13, 2020).
2. Vaccines to treat COVID-19 were authorized for emergency use by the U.S. Food and Drug Administration in December 2020 and were rolled out to states, including Vermont, which then started distribution of the vaccine on an age-based basis from late 2020 through 2021. Vermont leads the nation in vaccination rates, with approximately 77% of the eligible population fully vaccinated as of September 2, 2021.⁶ Despite its high vaccination rates, Vermont and its hospitals face continued challenges from COVID-19 and its emergent variants.
3. COVID-19 significantly affected hospital operations and finances in FY21. Systemwide, hospitals budgeted \$2.79 billion in FY21 NPR/FPP but projected \$2.69 billion for FY21 NPR/FPP at the time of submitting their FY22 budgets. Deliberation I, 7. The challenges hospitals faced creating FY21 budgets because of uncertainty and fluctuations resulting from the pandemic affected hospitals' budgeting process for FY22 also. See Deliberation I, 5.
4. Federal and state governments provided financial assistance to health care providers during the pandemic. Vermont hospitals received approximately \$191 million in COVID-19 related funding in FY20, and project approximately \$107 million in COVID-19-related funding for FY21 on a statewide basis. Deliberations I, 14. For FY22, only one hospital included any COVID-19 funding in its budget, in a total amount of \$200,000. *Id.*

MAHHC Budget Submission

5. MAHHC is a critical access hospital with its primary location in Windsor, Vermont. MAHHC's FY22 submitted NPR/FPP accounted for approximately 2.0% of the total submitted NPR/FPP for all 14 regulated hospitals in the State. See GMCB PowerPoint, Preliminary Review of FY2022 Hospital Budget Submissions and Public Budget Hearing Exemptions, 14 (July 28, 2021) (Preliminary Review). MAHHC has been a system member of Dartmouth Hitchcock Health since 2014. Testimony of Joseph Perras, Hearing Transcript, 8:8-8:10.
6. MAHHC filed its FY22 budget submission on June 28, 2021 and a revised narrative on July 6, 2021. MAHHC requested a 6.1% growth in NPR/FPP, for a total of \$59,640,912, which after approved exclusions for COVID-19 vaccine clinic and testing revenue represents a 5.6% increase in NPR/FPP, for a total of \$59,346,912. See MAHHC Submission, Staff Analysis, Income Statement, 4. MAHHC budgeted a decline in NPR/FPP from its FY21 projections to FY22 of 1.4% (after adjustments for COVID-19 testing and vaccination clinics in both years). Deliberations I, 59. MAHHC's FY21 budget-to-projection variance is 7.6%, meaning its FY21 projected NPR/FPP is 7.6% greater than its budgeted FY21 NPR/FPP. See

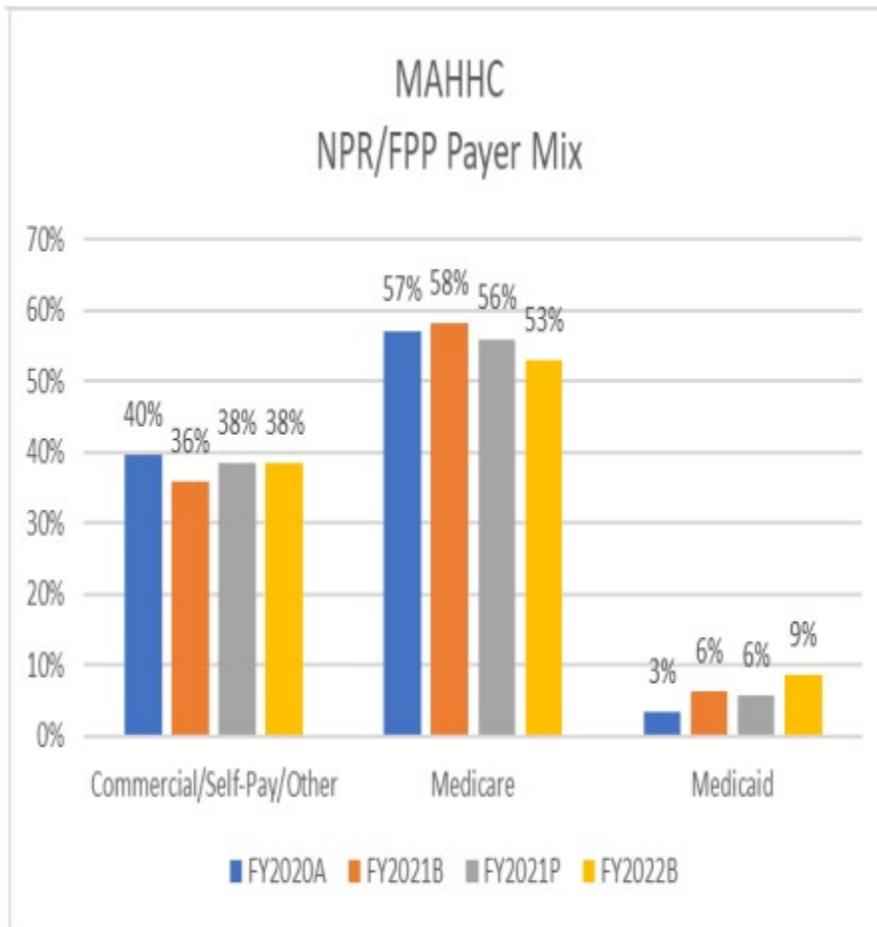
⁶ See Vermont Department of Health, COVID-19 Vaccine Dashboard, available at: <https://www.healthvermont.gov/covid-19/vaccine/covid-19-vaccine-dashboard>.

MAHHC Submission, Staff Analysis, Income Statement, 3; Deliberations I, 59; Deliberations I, Hearing Transcript 112:1-112:3. In order to normalize NPR/FPP growth and exclude the impacts of COVID-19, the Board trended NPR/FPP at a 3.5% rate from FY19 approved budgets to FY22 as a point of comparison to the hospital's proposed NPR/FPP. This hypothetical 3.5% NPR/FPP increase would result in an FY22 NPR/FPP of \$56,377,623, below MAHHC's budgeted NPR/FPP for FY22. *See* Deliberations I, 59; Deliberations I, Hearing Transcript, 112:5-112:17.

7. MAHHC's FY22 NPR/FPP increase from its FY21 budget includes approximately \$1.1 million in rate effect and approximately \$1.3 million in utilization. *See* Deliberations I, 60; Deliberations I, Hearing Transcript, 114:6-114:14. MAHHC developed its utilization assumptions based on FY19, FY20 and its current utilization for FY21. *See* Testimony of David Sanville, Hearing Transcript, 13:21-14:3. MAHHC assumed in-patient volumes, which declined significantly during the pandemic, will return to pre-COVID-19 levels, which historically had been consistent year to year. *See* Testimony of David Sanville, Hearing Transcript, 14:4-14:24. Emergency room visits have been high in the summer of 2021. *See* Testimony of David Sanville, Hearing Transcript, 15:8-15:13.
8. Historically, MAHHC has seen a relatively flat NPR/FPP from FY16 (at \$46.4 million) through FY20 (at \$49.9 million), with a large projected increase in FY21 (at \$60.5 million). *See* Deliberations I, 63.
9. MAHHC's requested NPR/FPP increase of 6.1% from FY21 budget is less than the 6.4% budgeted FY22 NPR/FPP increase for all Vermont community hospitals. *See* Preliminary Review, 16. MAHHC's compound annual growth rate for NPR/FPP from FY19 to FY22 is 5.5%, which is slightly more than the 4.7% compound annual growth rate for all Vermont community hospitals during that period. *Id.*
10. MAHHC submitted its FY22 budget with a requested average overall charge increase of 2.2%. *See* MAHHC Submission, Narrative, 3. The charge increase request is 2.5% across the board for inpatient, outpatient and physicians, and no increase in pharmaceuticals. *See* Testimony of David Sanville, Hearing Transcript, 11:16-11:21.
11. MAHHC recognizes that the hospital is having a solid financial performance in FY21, and as a result the hospital decided to reduce pricing in some ancillary services that the hospital deemed expensive. *See* Testimony of David Sanville, Hearing Transcript, 17:18-17:23.
12. MAHHC budgeted a \$565,870 increase related to higher Medicare reimbursements, which represents an increase of approximately 1.7% from FY21 Medicare payments, along with a \$452,879 increase expected from commercial payers due to its increased change in charge. *See* Deliberations I, 64. MAHHC budgeted a \$56,282 increase related to higher Medicaid reimbursements due to its increased change in charge. *See* Deliberations I, 64.
13. The ratio of gross to net revenue collection rates for commercial to Medicare for MAHHC is 122% in its FY22 budget. *See* Deliberations I, 65, FY 2022 Vermont Hospital Budget Board

Deliberations (September 3, 2021), 139. MAHHC has the second lowest commercial to Medicare ratio of Vermont community hospitals. *See id.*

14. MAHHC’s requested 2.2% change in charge for FY22 is less than the estimated weighted average for all Vermont community hospitals of 6.0%, and was the lowest charge increase presented by any hospital for FY22. Preliminary Review, 12. MAHHC’s five year (FY17-FY21) average approved change in charge is higher, at 4.1%, which is among the highest average change in charge for Vermont community hospitals for that period. Preliminary Review, 13.
15. MAHHC’s proposed FY22 budget includes the following allocation of NPR/FPP by payers:



See Deliberations I, 65.

16. MAHHC’s FY22 budget includes total operating expenses of \$62,951,120, an increase of approximately \$3.1 million, or 5.2%, over budgeted FY21, and approximately \$1.2 million more than projected FY21 operating expenses. MAHHC FY22 Budget, Staff Analysis, Income Statement, 3-4.

17. For FY22, MAHHC has budgeted an operating margin of \$1,057,911, or 1.7%, and a total margin of 3.5%. MAHHC FY22 Budget, Staff Analysis, Income Statement, 4. MAHHC projects a 5.3% operating margin and a 10.3% total margin in FY21. MAHHC FY22 Budget, Staff Analysis, Income Statement, 3. For FY20, MAHHC had an operating margin of 0.9% and a 10% total margin. Deliberations I, 63; MAHHC FY22 Budget, Staff Analysis, Income Statement, 3. In FY19, MAHHC had negative margins, with a -0.1% operating margin and a -4.0% total margin, and MAHHC also saw negative net operating income during various years over the past decade. *See id*; Testimony of David Sanville, Hearing Transcript, 20:17-21:12.
18. MAHHC's increased operating expenses in FY22 include 2-3% for salary increases, contribution to the hospital's 403b retirement plan, an increased number of FTEs (primarily COVID-19 related), a 9.2% increase for purchased labor (traveling staff), a 9.1% increase in purchased services, and inflation pressures. *See* MAHHC Presentation, Slides 22-23; Testimony of David Sanville, Hearing Transcript, 18:16-20:2. Overall, inflationary increases account for approximately \$1.1 million of operating expense growth. *See* Deliberations I, 61.
19. MAHHC faces workforce compensation pressure, increasing its compensation in order to retain and hire new staff in a region where MAHHC has to compete with other hospitals for staff. *See* Testimony of Joseph Perras, Hearing Transcript, 23:21-24:21.
20. MAHHC can realize cost savings through its membership in Dartmouth-Hitchcock Health (DHH). *See* Testimony of Joseph Perras, Hearing Transcript, 86:15-87:20. Membership in DHH improves MAHHC's purchasing power, and MAHHC realizes other benefits from being part of the DHH network in terms of quality, safety and patient experience. *See id*. Being a part of the DHH network also provides MAHHC with access to shared services, allowing MAHHC to offer specialist care in areas where demand may not support a full time specialty practice at MAHHC. *See id*; Testimony of David Sanville, Hearing Transcript, 19:20-20:16.
21. MAHHC received approximately \$5.7 million in COVID-19 advanced Medicare payments in FY20, and the hospital has been repaying that advanced payment at a rate of approximately \$500,000 per month, projecting to repay the full amount by the end of FY22. *See* MAHHC Submission, Narrative 4; Testimony of David Sanville, Hearing Transcript, 62:4-62:12.
22. MAHHC has not budgeted for any COVID-19 stimulus or relief funds for FY22. MAHHC FY22 Budget, Staff Analysis, Income Statement, 4. MAHHC recognized approximately \$2.5 million in COVID-19 stimulus and relief funds in FY20, and projects \$371,570 for FY21. MAHHC FY22 Budget, Staff Analysis, Income Statement, 3. The hospital received \$5.3 million in CARES Act funding, and currently anticipates repaying \$2.7 million, which MAHHC has reserved against. *See* MAHHC Submission, Narrative, 4. MAHHC is monitoring the different interpretations and guidance for CARES Act funding; based on current guidance, the hospital expects to be obligated to repay \$2.7 million of the \$5.3 million, but that amount could change if the guidance were to change again. *See* Testimony of David Sanville, Hearing Transcript, 62:13-63:6.

23. Historic Homes of Runnemedede, an assisted living facility located in Windsor, Vermont, is a subsidiary of MAHHC. MAHHC Presentation, Slide 6. The facility has faced significant stresses from staffing challenges, the COVID-19 pandemic, and recent leadership changes, and it has been a challenge for MAHHC's leadership team to keep the facility going. See Testimony of Joseph Perras, Hearing Transcript, 8:10-8:21. MAHHC's FY22 budget does not include financial support for the subsidiary, nor has MAHHC historically transferred funds to its subsidiary. See Responses to GMCB Staff Questions, Email from David Sanville, July 30, 2021.
24. MAHHC anticipates approximately \$1.3 million in other operating revenue from its 340B Drug Pricing Program in FY22, which is approximately the same as FY21. MAHHC FY22 Budget, Staff Analysis, Income Statement, 4.
25. MAHHC will bring in approximately \$1.2 million in grant funding for FY22, which the hospital uses to support its community health initiatives. See Testimony of Joseph Perras, Hearing Transcript, 27:17-27:25.
26. For 2022, MAHHC plans to be a participating provider in OneCare Vermont's Medicare, Medicaid and commercial programs. See MAHHC Presentation, Slide 32; Deliberations I, 30. MAHHC projects that approximately \$1.7 million of its FY22 patient services income will be paid in FPPs. See Deliberations I, 12. This represents 2.8% of MAHHC's budgeted FY22 NPR/FPP, which is less than the average of 12% for all Vermont community hospitals and the systemwide 13.8% of NPR/FPP paid as FPP. See *id.* In FY21, MAHHC budgeted approximately \$1.2 million of its \$56.2 million NPR/FPP, or 2.1%, to be paid in FPPs. See MAHHC Submission, Staff Analysis, Income Statement, 3. MAHHC does not receive Medicare fixed prospective payments, but still participates in the Medicare shared risk program. See Testimony of David Sanville, Hearing Transcript, 64:9-64:24.
27. MAHHC's budget anticipates 186.9 days cash⁷ on hand in FY22. MAHHC FY22 Budget, Staff Analysis, Balance Sheet, 5. MAHHC expects to have 205.3 days cash on hand at the end of FY21. *Id.* MAHHC's cash position is projected to be better than it had budgeted for FY21 (142.3 days cash on hand). *Id.* MAHHC's days cash on hand is greater than the Vermont median for CAH hospitals of 148.6, and above the benchmarks for Northern New England and Northeast CAH hospitals. See Deliberations I, 24.
28. MAHHC's narrative, presentation, and other filed budget information comply with the Board's FY22 hospital budget requirements.
29. Approving MAHHC's budget as outlined below will promote the efficient and economic operation of the hospital and is consistent with the current Health Resource Allocation Plan (HRAP) and ongoing community needs in MAHHC's Health Service Area.

CONCLUSIONS

⁷ The systemwide average for FY22 budgets is approximately 176 days cash on hand.

Our review of FY22 budgets comes during a challenging period for Vermont hospitals, which are struggling to manage the ongoing COVID-19 pandemic, care for a growing number of patients who deferred care during the pandemic and are now arriving at the hospital sicker, address significant staffing challenges, and cover the costs associated with inflation. The COVID-19 pandemic has placed significant strain on hospital operations, hospital finances, and the health care workforce. The pandemic has also created uncertain and highly variable hospital utilization, making it difficult for hospitals to budget accurately.

Hospitals also face significant challenges providing adequate staffing to handle demand. Staffing challenges are not new for hospitals,⁸ nor are the challenges limited to the State of Vermont, but staffing shortages have been exacerbated by the strain and other effects of the pandemic. Staffing shortages are playing out across the system in the form of higher costs for full-time providers, travelers, and other staff, employee burnout, and long patient wait times for certain services.

The cost-shift continues to be a serious concern facing Vermont community hospitals. Hospitals have generally budgeted no increase or only small increases for Medicaid reimbursements for FY22, which will not cover the cost of inflation, leaving hospitals to increase commercial rates more to cover that unreimbursed cost for public payers.

Based on our review, MAHHC's presentation, staff analysis, and deliberations, we approve MAHHC's budget as submitted. MAHHC requested an NPR/FPP increase of 6.1% from its approved FY21 budget, but that actually represents a decrease of 1.4% from MAHHC's projected FY21 NPR/FPP. Findings of Fact (Findings), ¶¶ 6, 9. Although the NPR/FPP increase from FY21 approved budget exceeds our guidance of 3.5%, it is based on volume and utilization assumptions that are supported by its FY21 performance. *See* Findings ¶ 7. Historically from FY16, other than projected FY21, MAHHC has maintained a relatively flat NPR/FPP from year to year. *See* Findings ¶ 8. MAHHC's continued integration into the DHH system should support efficiency and cost control. *See* Findings, ¶ 20. We approve MAHHC's request for a 6.1% increase in its FY22 NPR/FPP over its FY21 approved budget.

We also approve MAHHC's request to increase its overall charges by 2.2% in FY22 as submitted. MAHHC's change in charge was the lowest among Vermont community hospitals for FY22, and historically the hospital has requested modest changes in charge. Findings ¶¶ 10, 14. We note that MAHHC has the second lowest ratio of commercial to Medicare gross to net revenue collection rates. Findings ¶ 13. We also appreciate the self-imposed pricing reductions on ancillary services that MAHHC is undertaking. Findings ¶ 11. We approve MAHHC's 2.2% change in charge request.

ORDER

Based on our findings and conclusions and the authority granted by Chapter 221, Subchapter 7 of Title 18, MAHHC's budget is approved as submitted for FY22 subject to the following terms and conditions:

⁸ See, e.g., GMCB Board Meeting January 30, 2019 on Health Care Workforce.

- A. MAHHC's FY22 NPR/FPP budget is approved at a growth rate of 6.1% over its FY21 budget, with a total NPR/FPP of \$59,640,912 for FY22.
- B. MAHHC's overall average charge increase is approved at not more than 2.2% over current approved levels.
- C. Beginning on or before November 20, 2021, and every month thereafter, MAHHC shall file with the Board the actual year-to-date FY22 operating results as of the end of the prior month. The report shall be in a form and manner as prescribed by GMCB staff.
- D. MAHHC shall participate in telephonic check-ins to be scheduled at the discretion of the Board Chair in consultation with Board staff based on the hospital's FY22 year-to-date operating performance
- E. MAHHC shall advise the Board of any material changes to its FY22 budgeted revenues and expenses, or to the assumptions used in determining its budget, including:
 - a. changes in Medicaid, Medicare, or commercial reimbursement;
 - b. additions or reductions in programs or services to patients; and
 - c. any other event that could materially change the approved NPR/FPP budget.
- F. On or before January 31, 2022, MAHHC shall file with the Board, in a form and manner prescribed by GMCB staff, such information as the Board determines necessary to review the hospital's FY21 actual operating results.
- G. MAHHC shall file with the Board one copy of its FY21 audited financial statements and associated management letter(s), as well as the parent organization's audited consolidated financial statements, if applicable, 15 days after the hospital receives its statements, or by January 31, 2022, whichever is earlier.
- H. MAHHC shall participate in the Board's strategic sustainability planning process.
- I. MAHHC shall review the data and information in Mathematica's report Potentially Avoidable Hospital Utilization at Rural Hospitals⁹ regarding potentially avoidable utilization in their ED and inpatient settings, and hospitals will work with Board staff to potentially include these measures in non-financial reporting as part of the FY23 hospital budget review process, with the goal of developing strategies to reduce potentially avoidable utilization.
- J. MAHHC shall timely file all forms and information required for provider acquisitions and/or transfers as determined by GMCB staff, if applicable.
- K. MAHHC shall file all requested data and other information in a timely and accurate manner.

⁹ See Mathematica, Potentially Avoidable Hospital Utilization at Rural Hospitals (August 11, 2021), available at: https://gmcboard.vermont.gov/sites/gmcb/files/documents/PotentiallyAvoidableHospitalUtilizationatRuralHospitals_Mathematica_BoardPres_20210811.pdf; see also Mathematica, Rural Health PAU Dashboard, available at: <https://rural-health.vrdc.mathematica-stg.net/landing>.

- L. After notice and an opportunity to be heard, the GMCB may amend the provisions contained herein, and issue an amended order, consistent with its authority as set forth in 18 V.S.A. Chapter 220, Subchapter 1, 18 V.S.A. Chapter 221, Subchapter 7, and GMCB Rule 3.000.
- M. All materials required above shall be provided electronically, unless doing so is not practicable.
- N. The findings and orders contained in this decision do not constrain the Board's decisions in future hospital budget reviews, future certificate of need reviews, or any other future regulatory or policy decisions.

So ordered.

Dated: October 1, 2021
 Montpelier, Vermont

s/ Kevin Mullin, Chair)	
)	GREEN MOUNTAIN
s/ Jessica Holmes)	CARE BOARD
)	OF VERMONT
s/ Robin Lunge)	
)	
s/ Tom Pelham)	
)	
s/ Maureen Usifer)	

Filed: October 1, 2021

Attest: s/ Jean Stetter
 Green Mountain Care Board
 Administrative Services Director

NOTICE TO READERS: This document is subject to revision of technical errors. Readers are requested to notify the Board (by email, telephone, or in writing) of any apparent errors, so that any necessary corrections may be made. (Email address: Lori.Perry@vermont.gov).